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California Energy Commission
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**RE: SDG&E Comments on Staff's Final Report, California Energy Demand 2008-2018:
Staff Revised Forecast (October 2007, CEC-200-2007-015-SF)**

Dear Commissioners:

San Diego Gas & Electric Company (SDG&E) appreciates this opportunity to provide comments on Staff's final report and wishes to focus on one key issue.

Double Counting of Energy Efficiency Impacts

After careful review of Staff's Revised Forecast of the 2008-2018 California Energy Demand Report, SDG&E strongly recommends that the Commission decline to adopt the revised forecast and the language characterizing the forecast. It is SDG&E's understanding that PG&E, SCE and NRDC have similar comments and recommendations regarding this key issue.

The issues which were brought to the attention of the Commission and Staff at the July 10th workshops and subsequently at the October 15th & 16th Committee hearings on the Draft IEPR have not been fully addressed in this revised report. Most important, the report fails to adequately address the issue of double counting uncommitted energy efficiency (EE) savings and contains conflicting language characterizing the degree to which current EE savings are captured, either implicitly or explicitly, in the revised forecast. The explanation, both in the report and from discussions with Staff, make it clear that Staff remains unable to give clear, consistent and reasonable guidance to users of the forecast regarding this critical issue.

There is still a significant amount of confusion as to how much EE is included in Staff's forecast. In addition, one cannot rule out the possibility that 100% or more of current CPUC target levels of uncommitted EE are already included in Staff's load forecast. The IOU's load forecasts submitted in this 2007 IEPR process all suggest that at least 100% of the target levels are included in Staff's revised projections. To add to the confusion, Staff's language states in various places, that the effects of uncommitted program savings are either not included at all,¹ significantly included,² or minimally included.³ Staff's conflicting and

¹ While "conservation reasonably expected to occur" includes both committed and uncommitted programs, only the effects of committed programs are included in the demand forecast. – page 24

² For the programs implemented in 2006-2008, staff estimates that approximately 80 to 90 percent of the expected impacts are reflected in the models in other ways. – page 28

³ Users of the forecast can assume it includes a minimum level of future impacts consistent with 'business as usual' program mix and delivery. – page 29

misleading language related to future EE savings make it impossible to use this forecast in the CPUC's next Long-Term Procurement Proceeding (LTPP) where uncommitted EE will be the first resource considered in the loading order.

SDG&E reminds the Commission that in the current LTPP, the confusion on this issue and lack of reasonable guidance from the CEC led all three IOUs to make wildly different assumptions regarding the level of uncommitted EE savings. SCE, consistent with a plain reading of the language in the 2005 report, assumed that no uncommitted EE savings were embedded in Staff's forecast and therefore rejected the 2005 IEPR forecast as being unreasonably low and unusable for planning purposes. PG&E, on the advice of Staff, assumed that 60% of EE target levels were included in the 2005 IEPR projections, which also resulted in an extremely low forecast compared to PG&E's internal projections but one which PG&E felt compelled to use due to the LTPP scoping memo. Lastly, SDG&E, after discussions with Staff, assumed that 100% of EE target levels were implicitly included, resulting in a conservatively low yet reasonable forecast. It should be noted that during the current LTPP proceeding, Staff took no issue with either PG&E's or SDG&E's assumptions.

In its current state, the October 2007 Staff Revised Forecast is unusable for planning and policy making purposes. It is misleading and, if adopted in its current form, will cause much confusion among all stakeholders, including the CEC, CPUC, ISO, NRDC, CARB and the IOUs. SDG&E believes that further analysis and review is needed to resolve this issue. This review should be based on sound and thorough research that is vetted with forecast users through workshops and/or hearings and include all parties involved. Until this issue is resolved to the satisfaction of all parties, SDG&E strongly recommends that the Commission decline to adopt the forecast.

Sincerely,

Bernie Orozco